

# Economic Development

## Introduction

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Being the gateway to Grand Canyon National Park and the home to portions of four national forests, the main economic drivers in Coconino County continue to be **government** (federal, state and local) agencies, **recreation and leisure, tourism, hospitality, science and research & development**, and **education**. In response to the economic downturn in 2007-2009, the County acknowledges the need to diversify its economic base and has taken steps to develop public-private partnerships and reduce barriers for new businesses entering the market. Awareness of land use in regard to economic development is important. Policies that promote shorter commutes, telecommuting, and neighborhood access to retail needs creates strong communities, is good for the environment, and enhances the day-to-day quality of life for County residents. Promoting businesses and industries that are compatible with our local environment, recognizing the economic value of natural systems and human capital, creates a stable economic future. Moreover, it supports decision-making that considers a longer horizon for the benefit of today's residents and future generations.

Coconino County's wealth of large working ranches and the diverse opportunities for cooperation with government and tribal land managers should be embraced as an opportunity to promote new and established natural, ethno, and AGRITOURISM businesses. At the same time, recognition of the limitation on development within the County related to service and infrastructure can help identify where gaps can be bridged and serve as a reality check for economic growth. Continued support of existing economic drivers coupled with reality of the need for increasing the diversity of our economy will create a resilient and vital economy well into the future. This chapter examines the existing economic conditions, identifies the County's strengths and weaknesses, and identifies strategies for diverse economic development to achieve a higher standard of living for our citizens.

## Economic Partners

A strong economy is one of the three pillars of sustainability and vital to the future of Coconino County. The unique characteristics of the County can be seen as resources for economic development. Certain industries may want to locate in Coconino County because it offers unique products, markets, and local resources. Such unique characteristics include high value recreational and scenic lands, working ranches, rich cultural traditions, educational institutions and dark skies. Additionally, strong bioscience and technology sectors are already established and ripe for growth.

The County is not alone in the task of fostering economic development. The Economic Collaborative of Northern Arizona (ECoNA), Northern Arizona Center for Entrepreneurship and Technology (NACET), Sustainable Economic Development Initiative (SEDI), the Flagstaff Chamber of Commerce, Coconino Community College (CCC), Northern Arizona University (NAU), and programs from other jurisdictions and entities actively assist small businesses and start-up companies.

## Coconino County Economies

**Tourism:** Tourism continues to play a significant role in the economy of the County. Grand Canyon National Park draws approximately 5 million visitors annually, and approximately 3 million people visit Oak Creek Canyon and Lake Powell. Other nationally known attractions such as National Monuments at Sunset Crater, Walnut Canyon, and Wupatki also draw large numbers of tourists. While ECO-TOURISM is already well established within the County, it can be expanded upon through a diversity of activities. Dark skies can continue to draw visitors from across the globe to view this threatened resource and visit the internationally recognized observatories such as Lowell Observatory in Flagstaff and the U.S. Naval Observatory in Bellemont. Continued protection of the natural environment is critical for eco-tourism to thrive.

The County can support the diversification of tourism through the promotion of emerging interest in ethno, agri, and educational tourism as well. Drawing visitors to experience the rich culture of our indigenous people, along with opportunities to view and stay on historic, working ranches could help segments of our population bolster these areas outside of the urban centers and federal parks. The development of Navajo interpretive sites on the Navajo Nation and utilization of Coconino Parks and Open Space tax funds will help foster ETHNO-TOURISM. Traditional activities such as rodeos, pow-wows, and roadside vendors also support this economic sector. Similarly, rural areas could capitalize on cowboy culture through horse rides, dude ranches, and other agritourism opportunities.

**Government:** Coconino County is home to many governmental agencies that employ a large amount of County residents for administration purposes. These include, but are not limited to, the U.S. Forest Service, the Bureau of Land Management, U.S. Geological Survey, cities and towns such as Flagstaff, Williams, Tusayan, and Coconino County as a governmental unit itself, among others. Many of these public sector employees serve the citizens of the County by providing for and maintain public spaces such as parks, forests, LANDSCAPES, which indirectly contribute to the recreation, tourism, and hospitality industries within the County. They also maintain vital infrastructure and provide services that improve the quality of life for all County residents. Additionally, incorporated city governments actively work to attract and retain small businesses to their communities.

**Hospitality:** The tourism industry is synergetic with the hospitality industry in that when tourists come to the County to enjoy the vast array of tourist and outdoor recreational opportunities, they often seek lodging accommodations in the County. When visitors seek accommodation within the County, they stay for longer periods of time and contribute to the overall economy; more so than those just passing through the area.

**Recreation and Leisure:** Nationally, recreation is one of the largest sectors of the economy and Coconino County includes a multitude of attractions to take advantage of it. Outdoor recreation opportunities drive most of the tourism in the County, which in turn, provides 13,000 jobs and is the second largest employment sector<sup>1</sup>. Coconino County has nationally and internationally recognized trails, including the famed Arizona Trail which stretches for over 800

<sup>1</sup> Arizona Department of Administration, Office of Employment and Population Statistics. 2014 Data.

miles from Mexico into Utah with a major portion in Coconino County. The City of Flagstaff has the highest number of outdoor recreational equipment shops (for example: skiing, hiking and cycling) in the state per capita. River rafting, fishing, golfing, hunting, and rock climbing are some other popular outdoor in the County. Hunting, fishing, and wildlife viewing alone are estimated to bring \$325 million to the County annually<sup>2</sup>. There are annual festivals and markets, celebrating music, culture, and food, that attract visitors to the County and provide leisure activities for residents to enjoy as well. As recreation and leisure are two of the main reasons people visit or move to Coconino County, it is important to foster the development of new businesses and support existing businesses in these industries.

***Science and Research & Development:*** The County recognizes that the Flagstaff region is one of the nation's leading bioscience centers. These industries include biomedical research and development, agricultural supplies, and biotechnologies. Innovation Mesa, NACET and the Bioscience Tech Park at the Pulliam Airport help to cluster and support these industries. Clustering specific industries helps to potentiate their collective success.

Additionally, Coconino County has the perfect environment to support astronomy and stargazing. The high altitude of many areas in the County, as well as the dark skies due to the minimal development of many areas and the County's Dark Skies Ordinance, provides a unique economic opportunity that is not encountered in many other areas within the state or Country. Lowell Observatory (credited with discovering Pluto in 1930) in Flagstaff, the U.S. Naval Observatory in Bellemont, and the Discovery Channel Telescope in Happy Jack are world renowned and offer research opportunities for scientists as well as being a tourist destination. Amateur astronomy is also very popular in Coconino County and is enjoyed by County residents and tourists alike. Enforcement of the County's Dark Skies Ordinance will help ensure that the ability to view the stars on a commercial and individual level will continue to be an active part of the County's economy.

***Educated Workforce:*** There are many institutions and resources that foster workforce development in Coconino County. Because human resources are so valuable in the 21<sup>st</sup> Century economy, the County provides life-long skills and learning opportunities by partnering with schools, post-secondary institutions, and other organizations for continuous education and training services. These include but are not limited to Coconino Community College (CCC), Northern Arizona University (NAU), and many varied trade schools. NAU is a state university with emphasis in the fields of physical therapy, hospitality industry and forestry and natural sciences. County residents who pursue training with these institutions are better prepared to enter the workforce, are more likely to obtain employment, and are more likely to make higher wages. This improves the quality of life for those County residents on an individual level as well as County residents as a whole, as increased spending power within the County stimulates the economy as a whole. Furthermore, employers who offer professional-level jobs and careers prefer to locate in areas where there is a highly educated workforce. This is especially true in fields such as bioscience and technology, which are currently well-based but growing fields within the County.

<sup>2</sup> Arizona Game and Fish Department. 2013 Economic Impact of Fishing in Arizona. Study conducted by Responsive Management for the Arizona Game and Fish Department.

Additionally, the County's Community Services Department and the Career Center Department offers workforce training and business empowerment classes. Start-up grants are available through both of these County departments as well as through the Sustainable Economic Development Initiative (SEDI).

**Goal:** Create and maintain a sustainable standard of living and a high quality of life by recognizing the economic value of the natural systems and human capital within Coconino County. Through collaboration continue to embrace economic, social and environmental responsibility to build prosperous and livable places.

## Policies

1. Encourage innovative approaches to economic development that include job training and education opportunities.
2. Coordinate with economic partners to develop rolling analysis of impediments to business attraction and retention.
3. Support tourist-related development projects that focus on conserving and showcasing the County's unique natural and cultural features.
4. Support coordinated efforts (public/private) to build and maintain recreational assets (trails, wildlife viewing areas) and continuing access to public lands.
5. Identify impediments and opportunities for an educated workforce.
6. **Support increased and improved post-secondary educational opportunities throughout the County.**

## Emerging Trends in Economic Diversity

**E Commerce:** Attracting and retaining new industries and small business can help diversify the economy to increase resiliency. Furthermore, the County recognizes that business opportunities will be found in new and emerging arenas. For instance, with the increase in E-commerce, retail brick-and-mortar businesses are shifting their locations from the Main Street storefront to more flexible light industrial sites for sales distribution, as customers are increasingly buying products online rather than from a physical store. Recognizing and adapting to new economic trends will benefit residents of the County.

**Green Markets:** Green markets are another emerging industry within the County. Identifying existing waste streams that can be turned into other resources or products have positive benefits beyond economic ones for the County. An example of this would include plant materials removed from the forest in an effort to thin for fire safety, as is planned by the *Four Forest Restoration Initiative (4FRI)*. The waste products from the thinning operations can be used as building materials or other products and put to a new beneficial use. The 4FRI project has the potential to create economic development in the natural resources and bio-mass areas.

**Home/Cottage Businesses:** Home businesses allow the diversification of the economy through the promotion of small businesses and also help support these businesses by keeping costs low. While home occupations are invisible to neighbors, cottage industries are slightly more intensive of a use and can raise concerns with neighbors. With oversight and performance standards, impacts to neighboring properties can be minimized or completely mitigated, resulting in a win-win for the business and neighbors. Working from home has proven to reduce traffic impacts, commuter travel time, and associated environmental impacts. The County must be ready to actively seek the expansion of broadband technology for high-speed internet to support the expected increase in home occupations and cottage industries. It is unknown just what new emerging markets may be coming or how the emerging markets that currently include the likes of Uber and AirB&B will play out in Coconino County, but the County will be best served if there is flexibility built into the regulations as well as an open-mindedness for such businesses to potentially occur.

**Goals:** Ensure that policies and regulations provide flexibility and support for emerging trends.

## **Policies**

7. The County should support and pursue economic development that maintains or improves the environmental and public health.
8. The County encourages emerging technologies and industries that utilize local resources in an environmentally responsible manner.

## **Business Growth and Sustainability**

The development of diverse business sectors requires the need for added supportive industries or associated services and resources, including work force housing, education, medical care, food services, personal services and automotive services. These also contribute to strong economic growth.

**Public-Private Business:** The public-private partnership is a trend that is developing internationally as a relatively new business model. In this type of business, both a public and a private entity fund and help to operate the business and it is mutually beneficial for the partners. These partnerships can aid in effective and cost-efficient services that many public entities would struggle to provide on their own.

The County has ventured into public private partnership with the facilities at Coconino County Parks and Recreation's Fort Tuthill and the Pepsi Amphitheater. Flagstaff Extreme is a privately run ropes course with the County Park and the North Pole Experience operates seasonally within existing structures. These have been two successful public-private partnerships for the County, and they may serve as a model for future



**Small Business:** According to the Small Business Administration, “promoting small business development has higher potential for generating growth than any other economic development policy option”. The County has been supportive of the development of business activity centers in the region that provide cohort facilities, mentoring, coaching, micro loans, and other small business and entrepreneurial services. There exists substantial potential for micro-enterprise development, especially in areas with poorer and more culturally-diverse populations. With skills ranging from crocheting to food production to auto mechanics to sewing, a large population of potential entrepreneurs would simply need a small amount of startup capital, some retail space and/or production space, and some business mentoring assistance to launch their enterprises. The County’s Community Services Department works with the Basic Business Empowerment program, the Market of Dreams, and financially supports SEDI’s efforts in this area. Additionally, Coconino County has taken aggressive steps to support the development of incubators that are providing support to start-up businesses within emerging industries such as biosciences and renewable energy.

**High Wages:** For those that live and work in Coconino County, high wages allow individuals to spend more and increase local economic activity. In 2014, Flagstaff’s average hourly wages were just under \$17 but cost-of-living expenses drop that number to \$14.31, which is \$8 below the national adjusted average.<sup>3</sup> There is little data showing that other areas within Coconino County are as harshly affected by lower wages and higher costs of living, but as the Flagstaff metropolitan area is a large economic activity center in Northern Arizona, its economy has a large effect on Coconino County in general. Many people work within the limits of the City of Flagstaff and live in the unincorporated parts of the County for reasons related to affordability. Support of high wage jobs and careers will boost the economy for all County residents.

**Compatible with the Environment:** Economic development and environmental sensibility are ideas that work hand-in-hand, especially in Coconino County where a large variety of businesses thrive due to the unique and beautiful natural environment. The creation of compact, clustered developments, use of renewable energy or passive energy, and lessened use of resources in general can cut costs of infrastructure and energy use for businesses while ensuring compatibility with the environment on which so many people depend on or use to enjoy. Clustering developments makes for less infrastructure costs in total, and is especially efficient. An example of the efficiency created from clustered developments would be a transmission line that loses more and more energy the longer it is run. Clustering also allows for minimal ground disturbance which is environmentally advantageous. Also, simple planning of the orientation of structures can create passive solar gain, or heating using only the natural sunlight through windows and other transparent parts of a structure, which saves on energy costs. Because so many economic opportunities depend on the environment in Coconino County, it is imperative that the County support economic development opportunities that are compatible with the environment.

<sup>3</sup> Department and Council for Community and Economic Research compiled by Governing magazine  
<http://knau.org/post/flagstaff-average-hourly-wages-lowest-us>

**Goal:** Encourage and support business growth and sustainable business practices.

## Policies

9. Support small businesses in land use decisions with an awareness related to impacts on those small businesses from large corporations with similar niches.
10. Seek professional industries with high wage jobs that support services for a growing population.
11. Seek businesses that are compatible with the environment and are a benefit to their communities.
12. Continue to develop and nurture public-private partnerships with federal, tribal, and private land managers to reduce barriers for new businesses entering the market and continue successful programs that enhance the quality of life.

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## Infrastructure

Outside of the incorporated areas of the County, limited infrastructure presents challenges to economic development in regard to new development of roads, water sources, and wastewater systems. It is often the responsibility of private enterprise to develop and maintain infrastructure needed to support itself. Developing such services can be costly and inherently limit some enterprises in the County. In some cases, finding properties in or adjacent to incorporated areas of the County may provide opportunities to reduce infrastructural costs to private entities.

Infrastructure is critical to businesses. A successful business needs to be able to transport employees and goods efficiently, utilities and wastewater need to support many people being on-site and the production of goods, and excellent communication systems to operate in a global economy. Coconino County is not an infrastructure developer, and this affects how and which businesses develop in unincorporated areas. However, the County can assist private industries in bringing services to communities. Limited infrastructure continues to be a barrier to development in unincorporated areas and the more outlying areas tend to have even fewer infrastructure resources and are so further limited.

**Transportation:** The County has several major transportation assets. Interstate 17 connects the County south to Phoenix and Interstate 40 connects the County east-west across the entire nation. The railroad provides cost efficient transportation of goods and there is the availability to add another railroad yard within the County. **These two major interstate highways and the railroad along with the existing Pulliam Airport are all located in the Flagstaff area less than a 1-day drive from the international ports of Los Angeles and Long Beach. These assets makes this area a natural logistics and transportation hub for industries.** In addition, scenic highways help support our thriving tourist economy and the Pulliam Airport helps bring travelers and business people alike. Expansion of flights to the region would help attract businesses who need access to the global economy.

The County does not build roads but it does maintain roads already accepted into the *Road Maintenance Program* through Public Works. Building new roads, expanding roads to accommodate new development, and road maintenance for roads not maintained by the County are the responsibility of developers and Homeowners' Associations and road improvement districts. ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) builds and maintains many roadways within the County. Partnering with ADOT for high quality levels of service is critical.

The collapse of State Highway 89A south of Page has had an impact on businesses not only in Page, but also in the communities of Marble Canyon, Cliff Dwellers, and Vermillion Cliffs. Funding for the repair of this section of Highway 89A is the responsibility of multiple agencies and so has been a prolonged effort. The highway interchange of I-40 at Bellemont has been another barrier to development of industrial properties in the area. The County encourages the improvement to the interchange to facilitate increased development of the Bellemont area. **Interagency communication, coordination, and cooperation will continue to be imperative in relation to infrastructure development and maintenance. Additionally, the County needs to work proactively to maintain its infrastructure, while efficiently providing upgrades, in order to minimize future disruptions to the economy.**

**Water/Wastewater:** Water is another limiting factor for economic development in the County. Because the County is not a water provider, businesses must be able to secure their own water. For this reason, intensive water-using businesses will likely never be a part of the County's economic portfolio. WASTEWATER systems can be costly to install. Therefore, businesses with needs beyond standard septic systems often find costs related to other types of wastewater systems are so expensive that they are prohibitive. The County will work with **businesses** to identify ways to reduce water and wastewater needs associated with development.

**Telecommunications:** Telecommunications infrastructure is increasingly important to businesses. Expectations in the business world require immediate response to emails and phone calls. Updating websites, social media, and other forms of telecommunications is critical to maintain a strong customer base. Many parts of the County have no phone service at all, let alone internet capabilities, and many places that do have services are limited. The County can support the development of telecommunications systems through appropriate zoning regulations.

**Goal:** Work with businesses to assess infrastructural needs and support improved infrastructure and systems throughout the County.

## **Policies**

13. Promote improved air transportation schedules and connectivity to enhance business environment that will retain and attract business.
14. Work with communities to assess telecommunications needs and the desire to support education and employment by **improvements to the infrastructure system and support for telecommuting.**
15. Support infrastructure improvements to enhance rail, highway, and air transportation.



16. Coordinate with regional economic development organizations to create a Business Development Ombudsman to help assist individual businesses with their business siting and infrastructure needs.

## Coordination with Land Uses

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The County has taken a new role in encouraging expansion of new commercial and industrial development. The County is proactively trying to assist developing economic sectors with resources for locating, such as forest materials products, by updating the zoning ordinance and pursuing land use best practices.

Opportunities are plentiful for industrial economic development, especially in the Bellemont area. To support future development in these areas, investments would have to be made as part of the development process for upgraded roads, water, and wastewater infrastructure to fully use industrially zoned land parcels. Additional opportunities may exist in areas that are undeveloped or not zoned for commercial and/or industrial uses, such as the Interstate 40 corridor east of Flagstaff toward Winslow. In Williams and Fredonia, land suitable for new commercial and industrial activity underwent annexation to provide infrastructure and capture tax benefits for the municipalities.

**Zoning:** Rezoning is a tool that can be used to expand commercial and industrial uses when tied to viable development projects. The County has opposed speculative zoning, as there can be unintended negative consequences including deterring development by artificially inflating value of undeveloped properties. Instead, the County encourages developers to identify properties they believe are appropriate for their development and seek a rezoning if it is necessary. The rezoning process allows analysis of impacts, consistency with the *Comprehensive Plan* and any Area Plans, and allows for public input to determine if indeed the location is appropriate.

In addition to utilizing commercial and industrial zoned parcels, the County encourages ADAPTIVE REUSE of vacant buildings and underutilized properties which serves several purposes. The benefits of adaptive reuse can provide positive economic, social, and environmental outcomes. With a limited supply of private land, adaptive reuse is a sensible and efficient style of development.

The County's transportation corridors are crucial to a thriving economy. They are the obvious place for continued development because of their location along shipping routes, providing potential for logistics and distribution hubs. Much of the existing commercial and industrial zoning and development in the County is found along such corridors. The County supports development near these corridors but opposes strip-style development which can impede traffic, impact viewsheds, and limits opportunities for multimodal transportation. Instead, clustered commercial and industrial development in designated activity centers with access to major corridors is preferred.

**Jobs/Housing Mix:** Residents have long expressed concern about the disparity between income and cost of living, especially in the Flagstaff area. Less than half of Flagstaff households can afford the median-priced, single-family home; many spend far more than one-third of their

income on housing. In addition to raising incomes and attracting new employers that pay acceptable, LIVABLE WAGES; another solution is to find ways to provide more AFFORDABLE HOUSING. However, it remains difficult to compete with larger urban areas in the state primarily because of their sheer amount of available housing stock and large amounts of easily developable land. Most of the private lands close to Flagstaff proper have already been developed making for expensive housing in Flagstaff or causing long commutes when developing further outside of the Flagstaff employment area. Outside of the greater FMPO area, opportunities for affordable housing are limited due to the lack of: private lands on which to build, infrastructure to support development, and the daily service businesses to support the residential needs. Second homes, while welcomed as a residential use, limit the amount of available housing for year-round residents and exacerbates the high cost of housing. The County has created a provision for regulating vacation rentals in the Zoning Ordinance to allow for short term rentals. However, this does not address the need for employee housing; a significant factor in relocating businesses and attracting quality employees who want to make this region home.

State Trust lands in the County, especially those around Flagstaff, could be considered for development to increase the availability of private land. Denser zoning for residential development may also allow for more economic use of the existing private lands. While Flagstaff is the economic hub, other outlying areas face similar housing dilemmas that limit the relocation of new businesses into outlying communities.

Locating work place and housing in closer proximity can reduce travel times and dependency on single-occupancy commutes, thereby reducing gasoline consumption and environmental impacts. Many households have two or more residents with jobs in different locations, a trend facilitated by the availability of major highways. For example, although housing has been developed near industrial areas in Bellemont, those residents will likely work in Flagstaff. Future opportunities have been studied and presented in completed multi-modal studies for Kachina Village and Doney Park. Another study is underway for the Bellemont area as well. **The current Zoning Ordinance does allow for mixed use zoning under the Planned Residential Development and Planned Community zones, but in the future it may be possible to create additional ways in which to accommodate mixed use zoning, especially in light of all of the economic and environmental benefits of mixed use developments.**

**Goal:** Incorporate good planning techniques to encourage the development of compatible enterprises with neighboring land uses.

## **Policies**

17. Create an inventory of commercial and industrial zoned land, and corresponding compatible land uses, for which those businesses and industries could locate. Make this inventory available to the public.
18. The County should be a clearinghouse for information about available parcels and infrastructure.

19. The County encourages the establishment of industries in Coconino County that contribute to the region's economic health and are consistent with the overall rural character with emphasis on clustering in activity centers and allowing for mixed-use development and other housing choices through zoning.
20. The County supports new industry that practice conservation measures to minimize impacts to natural and cultural resources.
21. Support economic clustering (e.g. bioscience start-ups) with mixed use development in growth areas and activity centers.
22. Focus development in areas zoned for industrial and commercial uses.
23. Existing Area Plans should be updated and new Area Plans developed, to ensure that they have an appropriately scaled and economically healthy center focus and a distinctive identity, to help communities create a quality of life that is attractive for business retention and preserves a local sense of place.